

## Message Text

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10

ACTION EB-07

INFO OCT-01 EA-06 ISO-00 L-02 AGR-05 CIAE-00 COME-00

INR-07 LAB-04 NSAE-00 SP-02 STR-01 TRSE-00 CIEP-01

FRB-03 OMB-01 AID-05 /045 W  
----- 078295

R 181010Z FEB 75

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 677

INFO AMEMBASSY BANGKOK

AMEMBASSY SEOUL

AMEMBASSY TAIPEI

C O N F I D E N T I A L MANILA 2106

E.O. 11652: GDS

TAGS: ETRD, RP

SUBJECT: COTTON CONTRACT PROBLEM

REF: A. STATE 34889 (NOTAL); B. MANILA 1792; C. MANILA 1020;  
(NOTAL) D. MANILA 2101

1. WE BELIEVE COMPLETE REFLECTION OF FILIPINO POSITION ON COTTON CONTRACTS IS NOW CONTAINED IN DRAFT PROPOSAL BEFORE US AS REPORTED REF BN WHICH HAS APPROVAL OF SECFINANCE VIRATA AND CENTRAL BANK GOVERNOR LICAROS. DEP CHAIRMAN VIRATA AND OTHER CABINET RANK OFFICIALS STATED THAT THIS PROPOSAL WAS UNDER PREPARATION DURING CALL OF ASSTSEC YEUTTER ON PHILIPPINE MONETARY BOARD AND ON OFFICIALS OF THE DBP LATER IN THE SAME DAY, AS CITED REF C. WHILE WE ALSO RECALL THAT DBP CHAIRMAN DID NOT MENTION ANY ADDITIONAL CREDIT COMPONENT IN HIS TALK WITH ASSTSEC YEUTTER, IT IS CLEAR ENOUGH THAT FINSEC VIRATA WAS THINKING ABOUT FURTHER CCC CREDITS OR ALTERNATE SWEETENERS IN HIS WASHINGTON TALK WITH UNDERSECRETARY ROBINSON AND IN TALK WITH EDMOND HERE. THIS IS AMPLY REFLECTED IN THE PROMISED PROPOSAL. FYI FINAL TEXT OF PROPOSAL WHICH WE NOW DISCUSSING WITH DBP ALSO HAS INCLUDED A REQUEST FOR PL-480 ASSISTANCE. END FYI.

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2. RESPECTING PROSPECTS THAT QUOTE MILLS WILL HONOR EXISTING CONTRACTS WITHOUT DELAY UNQUOTE, EMBASSY HAS NEVER BEEN SANGUINE AND IS HARDLY SANGUINE NOW. THE INVENTORY POSITION IS PRESENTLY TOO LONG, AND THE LIKELIHOOD OF IN COUNTRY OFFICIAL OR OFFICIALLY-SUPPORTED STORAGE WITHOUT SOME FURTHER INDUCEMENTS IS CONSIDERED REMOTE. IT MAY BE THAT SOME FURTHER CCC CREDIT WILL ASSIST A SOMEWHAT STRETCHED OUT COMPLIANCE WITH OVERDUE L/CS, IF THERE ARE NO FURTHER SELLING FORAYS BY U.S. EXPORTERS IN THE MEANTIME. IN THIS RESPECT WE ARE ENCOURAGED BY A REPORTED MORATORIUM ON NEW SALES, A STEP WHICH WE BELIEVE ABSOLUTELY ESSENTIAL TO A FAVORABLE OUTCOME.

3. AS TO THE SUGGESTION, PARA 2 REF A THAT FILIPINOS ENJOY A COMPARATIVELY LARGE SLICE OF CCC CREDITS RELATIVE TO OUTSTANDING CONTRACTS, WE CANNOT IGNORE THE SIMPLE FACTS THAT (A) WE HAVE ENJOYED A PRACTICAL MONOPOLY OF THIS MARKET; AND (B) WE HAVE DONE SO WITH PERIODIC INFUSIONS OF CCC AT PRESENT LEVELS. SINCE AT ITS WORST THE PROBLEM IN THE PHILIPPINES IS A SMALL PART OF THE TOTAL CONTRACT ISSUE, IT APPEARS TO US THAT WE CAN SWEETEN THE POT WITH SOME FURTHER INDUCEMENT LIKE ADDITIONAL CCC -- WHICH COSTS US VERY LITTLE -- OR WE CAN TRY TO BRAZEN THIS OUT. WE DON'T SEE MUCH CREDIBILITY OR MUCH FUTURE IN THE LATTER COURSE.

SULLIVAN

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## Message Attributes

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